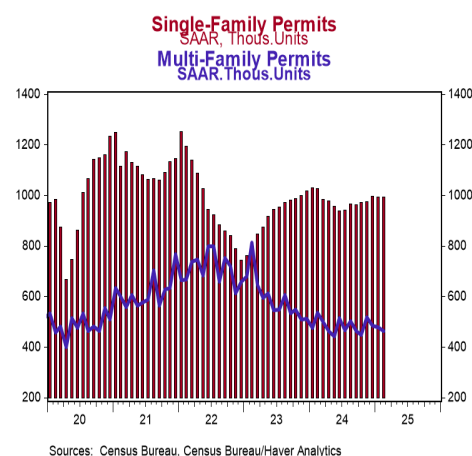
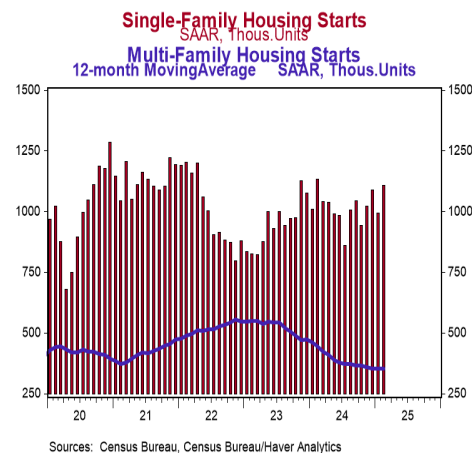


February Housing Starts

Nate Gerze, CFA – Economic Analyst
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Housing starts rebounded 11.2% in February to a 1.501 million annual rate, easily beating the consensus expected 1.385 million. Starts are down 2.9% versus a year ago.
- The rise in February was due to both single-family and multi-family starts. In the past year, single-family starts are down 2.3% while multi-unit starts are down 4.6%.
- Starts in February rose in the South, Northeast, and West, but fell in the Midwest.
- New building permits declined 1.2% in February to a 1.456 million annual rate, narrowly beating the consensus expected 1.453 million. Compared to a year ago, permits for single-family homes are down 3.4% while permits for multi-unit homes are down 13.4%.

Implications: After unusually cold weather and fires held back homebuilding in January, new home construction rebounded sharply in February, rising to a 1.501 million annual rate and topping even the most optimistic forecast from any economics group surveyed by Bloomberg. The gain was broad-based with both single-family and multi-family increasing, and three out of four regions contributing. But despite the big jump, starts are still down 2.9% compared to a year ago, while permits for new builds are down 6.8%, and both have been hovering around levels reminiscent of 2019. It appears that part of the reason why homebuilding has lagged of late is due to builders focusing on completing projects. Home completions declined 4.0% in February, but the 1.592 million annual pace was faster than any month from 2020-2023. Moreover, completions have run above a 1.5 million pace (our estimation of annual homes needed to keep up with population growth and scrappage) in eleven out of the last twelve months. With strong completion activity and tepid growth in starts, the total number of homes under construction has declined 14.8% in the past year. That type of decline is usually associated with a housing bust, but we don't see that happening. With the brief exception of COVID, the US has consistently built too few homes almost every year since 2007. As a result of the shortage of homes, we think housing is far from a bubble and expect housing prices to continue higher in 2025 in spite of some broader economic headwinds. In other recent housing news, the NAHB Housing Index (a measure of homebuilder sentiment) dropped to 39 in March from 42 in February. Keep in mind that a reading below 50 signals a greater number of builders view conditions as poor versus good. On the trade front, import prices rose 0.4% in February while export prices rose 0.1%. In the past year, import prices are up 2.0% while export prices are up 2.1%.



Housing Starts SAAR, thousands	Monthly % Ch.	Feb-25 Level	Jan-25 Level	Dec-24 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	11.2%	1501	1350	1526	1459	1397	-2.9%
Northeast	47.4%	143	97	147	129	131	20.2%
Midwest	-24.9%	133	177	204	171	186	-44.4%
South	18.3%	815	689	895	800	751	-5.6%
West	5.9%	410	387	280	359	330	26.2%
Single-Unit Starts	11.4%	1108	995	1089	1064	1034	-2.3%
Multi-Unit Starts	10.7%	393	355	437	395	363	-4.6%
Building Permits	-1.2%	1456	1473	1482	1470	1458	-6.8%
Single-Unit Permits	-0.2%	992	994	996	994	982	-3.4%

Source: U.S. Census Bureau